FURTHER MORTGAGE RESTRICTIONS "NOT NEEDED"

Further tightening of mortgage regulations are dangerous and not needed, according to a national mortgage group in a pre-emptive strike against potential federal government plans to stiffen the rules regarding mortgage insurance.

The Canadian Association of Accredited Mortgage Professionals (CAAMP) is reacting to warnings that mortgage changes could be coming as Canada Mortgage and Housing Corporation nears a federally mandated cap of $600 billion. CMHC provides mortgage insurance to homebuyers who have less than a 20 per cent downpayment. The Finance Minister has also expressed concerns about high household debt loads.

CAAMP argues that consumer debt - like car loans and credit cards - not mortgages are the danger in debt levels and that further mortgage lending restrictions would hamper the overall housing market.

As the Association points out:

• There are 12.5 million households in Canada...31 per cent rent, and 69 per cent own their home and, of those who own, 28.9 per cent have no mortgage.

• Sixty-nine per cent of homeowners with a mortgage have more than 20 per cent equity in their homes, while only 30 per cent have less than 20 per cent equity in their homes.

• The mortgage default rate in Canada is a miniscule 0.42 per cent for CMHC-insured high-ratio mortgages in arrears more than 90 days.

* Defaults are declining and never approached the level of the early 1990s. The housing market in Canada is growing organically and safely.

CAAMPs also deals with who would be hurt by tighter mortgage loans:

• Self-employed borrowers who represent a growing portion of Canada's labour force (currently 2.67 million people, or 15 per cent of employment in Canada.

• New Canadians who can afford a down payment but have yet to build credit and employment history.

• First time homebuyers who want to enter the homeownership market and build equity.

• Secondary home buyers, who are needed to keep recreation and resort markets thriving, and, CAAMP argues, mortgage lending is already tight enough.

The federal government has already made three significant sets of changes in the past 36 months:

• Amortization periods shortened to 30 years from 35 and 40 years.

• Secondary home purchases require a 20 per cent down payment.

• Homeowners refinancing their mortgage may borrow up to 85 per cent of the equity in their home, down from 90 per cent to 95 per cent previously.

"These changes have already impacted the mortgage market; re-financings have decreased dramatically and mortgage credit growth has slowed", according to CAAMP.

However, according to Canadian Mortgage Trends, a large percentage of CMHC mortgage insurance covers homes with more than a 20 per cent equity. That is because banks purchase CMHC "portfolio insurance" to protect themselves against any potential risk and keep mortgage rates low.

> "Tightening of federal mortgage rules could be coming: and would affect first-time homebuyers."